

# SENATE BILL REPORT

## SB 5595

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As Reported By Senate Committee On:  
Agriculture & Rural Economic Development, February 26, 2007

**Title:** An act relating to the excise taxation of persons engaged in farming and farming services.

**Brief Description:** Exempting persons engaged in farming and certain farming services from business and occupation taxation.

**Sponsors:** Senators Holmquist, Hatfield, Honeyford, Shin, Rasmussen, Schoesler, Morton, Roach and Parlette.

**Brief History:**

**Committee Activity:** Agriculture & Rural Economic Development: 2/12/07, 2/26/07 [DP-WM].

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### SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member; Jacobsen and Morton.

**Staff:** Bob Lee (786-7404)

**Background:** The business and occupation (B&O) tax does not apply to agricultural products sold at wholesale by farmers.

The B&O tax is assessed on the gross proceeds of a business and the tax rate depends on which category the business is placed. Currently, custom farming activities fall under the catch-all "service and other activities" category and are subject to a 1.5 percent tax rate.

Rural transportation services are subject to the public utility tax and are assessed a 1.926 percent rate.

**Summary of Bill:** Custom farming services, such as custom plowing, cultivation, planting and harvesting performed for farmers is exempt from the B&O tax. Custom fertilizing and custom spraying are exempt from the B&O tax only if performed by a person who is related to the farmer.

Farm management services, contract labor services, and some services provided to growing of animals, if performed by a person related to the farmer or the custom farm operator, is exempt from B&O tax.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Persons hauling agricultural products or farm machinery are exempt from the public utility tax if the service is provided to the farmer or a person performing the custom farming service.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:** PRO: Many farms are family farms where family members help each other out. Specific agricultural activities performed for family members should be exempt from taxation. Some farmers have a specific piece of farm equipment and their neighbor has another piece of equipment so they trade work for one another and that should not be taxable. This is the same bill that passed the Senate last year. There is interest in promoting the economic viability of farming to reduce the pressure to convert the land to other uses.

**Persons Testifying:** PRO: Chris Hesse, Patrick Connor, Farm Bureau; Megan Lynch, Cascade Land Conservancy; Jack Field, Washington Cattlemen's Association.